



Report to the Auburn City Council

Action Item

Agenda Item No.

City Manager Approval

To: Mayor and City Council Members
From: Jack Warren, PE Director of Public Works
Bernie Schroeder, Engineering Division Manager
Date: February 23, 2009
Subject: Wastewater Treatment Plant Operations Contract

The Issue

Shall the City enter into negotiations with CH2M Hill – Operations Management International (OMI) regarding a new contract for the operations, maintenance and management of the City's Wastewater Treatment Plant (WWTP)?

Conclusion and Recommendation

Staff recommends BY MOTION to direct staff to prepare a final draft of the proposed operations and maintenance contract with CH2M Hill – OMI with a three year extension, management fee equivalent to 13% of the direct cost budget and bring it forth at a future City Council meeting for approval.

Background

OMI has been operating, maintaining and managing the City's Wastewater Treatment Plant and Sewer Collection System since 1993. In October 2004 the City Council approved a five year contract with CH2M Hill - OMI to continue operations of the Wastewater Treatment Plant and Sewer Collection System which expires on July 1, 2009. The contract was a Direct Cost budget contract with the exception of the Management Fee and performance incentive fee. The Direct Cost budget contract is based on actual costs to run the wastewater treatment plant, maintain the sewer collection system and maintain the sewer lift stations. OMI submits an expenditure report each month outlining the costs for approval by City staff and shows any deviation from the budgeted amount. At the end of each year there is a reconciliation report which reimburses one party or the other. The reconciliation report is also used to determine the budget for the upcoming year. The Direct Cost contract has been very effective given the changing fuel prices, chemical use and operations cost necessary to remain in compliance with the Central Valley Regional Water Quality Control Board discharge requirements.

Staff has met with CH2M Hill - OMI representatives several times to discuss particular elements of the contract and evaluate what direction to proceed in the interest of the City. Due to the possibility of either the WWTP Improvement Project beginning in Spring 2009 or the Regional Sewer Project being funded, staff is recommending extending the CH2M Hill – OMI contract for an additional 3 years putting end of the contract at July 1, 2012. The other option is to consider preparing a

Request for Proposals (RFP) for this operations contract. The cost for this type of RFP has been estimated by an outside consultant to cost approximately \$50,000 and require a significant effort on the part of City Staff to execute. During this point of transition between completing on site improvement and determining the final funding strategies for the Regional Project staff believes it is in the City's best interest to stay the course with a firm who is very familiar with our discharge permit and how to remain in compliance given our particular wastewater treatment facility. A three year extension allows for a better defined request for proposal (RFP) process as either the city will be upgrading the WWTP or connecting to the Regional Sewer Plant. In addition, the City and CH2M Hill – OMI staff have been preparing to have a newly adopted National Pollutant Discharge Elimination System (NPDES) permit from the Central Valley regional Water Quality Control Board in April/May 2009. CH2M Hill – OMI has been instrumental in working with NexGen Utility Management, specifically Dan Rich, the City's wastewater consultant to develop process changes in anticipation of this new permit.

Although there is a possibility the RFP process initially may generate a lower cost of operations; staff does not believe the risk of changing contractors is the prudent course of action at this time. Staff further believes CH2M Hill – OMI has proven themselves competent and continually striving to run operations more cost efficiently.

Contract Details:

- Three (3) year contract renewal until July 1, 2012
- Management Fee of 13%
- Operate the WWTP
- Lift Station Maintenance

Sewer Collection System:

Another element to the CH2M Hill – OMI contract worthy of consideration is shifting a portion of the collection system maintenance activities from their contract to City Staff. Specifically, the City would allocate one Public Works Maintenance worker to be responsible for cleaning and maintenance of the main sewer lines. Due to our discharge permit requirements, CH2M Hill – OMI would retain the responsibility for the sewer lift stations, Sanitary Sewer Management Plan (SSMP) but the City would operate the televising and sewer cleaning equipment in conformance to approved SSMP.

Alternatives Available to Council; Implications of Alternatives

1. Proceed with Staff Recommendation
2. Do not proceed with staff recommendation
3. Direct Staff to proceed with the contract extension with CH2M Hill as discussed and proceed with a cost savings to the CH2M Hill – OMI contract with a reallocation of one sewer collection worker from CH2M Hill contract to City personnel.

Fiscal Impact

Currently the City's contract with CH2M Hill – OMI for the operations and maintenance of the WWTP is \$1,643,039 for fiscal year 2008/2009. If the City were to renew the contract for three years the management fee would increase from a flat fee of \$180,267 based on the current contract to 13% of the contract which would equate to approximately a \$33,000 increase to the current year's contract. Since the contract is based on a direct cost budget, the management fee

will adjust accordingly. If the City were to take over a portion of the collection system maintenance the annual net reduction to the contract (including the increase in the management fee) would be approximately \$63,000. Details as to the costs incurred in the sewer fund by the reallocation of City personnel will be brought forth with the proposed amendment if the City Council decides to proceed with that option. Adequate funds exist in the sewer fund to cover these expenditures without a necessity to initiate a sewer rate increase at this time.

The formal Request for Proposal (RFP) process is estimated to cost approximately \$50,000 with a considerable amount of staff time required. Potential savings to the annual operations and maintenance contract amount are uncertain and come with certain risks associated with compliance to the City's existing discharge permit.